

Message Text

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PAGE 01 REYKJA 00652 161146Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-10 LAB-04
NSAE-00 SIL-01 DODE-00 PM-05 H-01 L-03 NSC-05
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R 161033Z MAY 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 8400
INFO AMEMBASSY COPENHAGEN
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COMICEDEFOR KEFLAVIK IC

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E.O. 11652: N/A
TAGS: ELAB, IC
SUBJECT: PRIME MINISTER WILLING TO MEET LABOR PART OF THE WAY

REF: A. REYKJAVIK 0251; B. REYKJAVIK 0600

1. STATEMENTS BY PRIME MINISTER GEIR HALLGRIMSSON IN RECENT DAYS HAVE OPENED DOOR TO EASING SOME OF LABOR'S UNHAPPINESS OVER GOI ECONOMIC MEASURES APPROVED IN FEBRUARY (REF A). PM SAID GOI WOULD BE WILLING TO CHANGE LAW (BY CABINET ACTION SINCE ALTHING HAS BEEN DISSOLVED) FOR BENEFIT OF LOWEST PAID WORKERS, I.E. THOSE EARNING UNDER 150,000 KRONUR (\$580) PER MONTH, IF LABOR AND EMPLOYERS COULD REACH AGREEMENT.

2. ONE OF LOOPHOLES OF FEBRUARY LAW WAS THAT THERE WAS NO PROHIBITION ON REACHING NEW CONTRACTS, ONLY ON INCREASING COMPENSATION UNDER OLD ONES. AS RESULT, LABOR AND MANAGEMENT HAVE BEEN SHADOW-BOXING OVER SERIOUS NEGOTIATIONS TO REVISE CURRENT AGREEMENTS. (GENERAL CONTRACT WITH ICELANDIC FEDERATION OF LABOR RUNS UNTIL DECEMBER 1).

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PAGE 02 REYKJA 00652 161146Z

SUCCESSFUL NEGOTIATIONS ALREADY PRODUCED NEW CONTRACT COVERING EMPLOYEES AT STRAUMSVIK ALUMINUM PLANT, ICELAND'S LARGEST PRIVATE EMPLOYER, AND THERE HAVE BEEN INDICATIONS THAT OTHER EMPLOYERS AS WELL MIGHT BE WILLING TO RAISE WAGES UNDER RE-NEGOTIATED AGREEMENTS. STATEMENT BY PM WILL ENCOURAGE OTHER EMPLOYERS TO FOLLOW SUIT.

3. ALTHOUGH NEWSPAPER OF FAR-LEFT PEOPLE'S ALLIANCE HAS BEGUN CROWING ABOUT GOI CAPITULATING TO VARIOUS LABOR PRESSURES IN FORM OF EXPORT BAN, OIL IMPORT BAN, ONE-DAY WALKOUTS, ETC., PM'S REMARKS WERE MADE FROM POSITION OF RELATIVE STRENGTH RATER THAN WEAKNESS. LABOR'S OWN INTERNAL PROBLEMS CONTINUE, AND ITS WORK ACTIONS HAVE BEEN ONLY MINIMALLY EFFECTIVE (REF B). GOI SEEMS TO HAVE COME OUT FOR REVISION IN LAW BOTH BECAUSE ANTI-INFLATION MEASURES HIT LOWEST PAID WORKERS DISPROPORTIONATELY AND BECAUSE, WITH NATIONAL ELECTIONS SIX WEEKS AWAY, PRIME MINISTER'S STATEMENTS MADE GOOD POLITICAL SENSE.
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